



# CITY OF LODI

## COUNCIL COMMUNICATION

**AGENDA TITLE:** Notice Of Application For A Gas Rate Increase And Electric Revenue Increase; Cost Of Capital Proceeding

**MEETING DATE:** December 1, 1999

**PREPARED BY:** City Clerk

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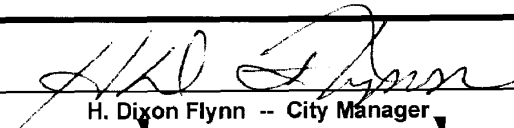
**RECOMMENDED ACTION:** Information only, no action required.

**BACKGROUND INFORMATION:** The City Clerk's Office has received a notice of Application for a gas rate increase and electric revenue increase; cost of capital proceeding (Exhibit A). This is information only, no Council action is required.

**FUNDING:** None

  
Alice M. Reincke  
City Clerk

**APPROVED:** \_\_\_\_\_

  
H. Dixon Flynn -- City Manager



# EXHIBIT A

November 10, 1999

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TO STATE, COUNTY AND CITY OFFICIALS:

## NOTICE OF APPLICATION FOR A GAS RATE INCREASE AND ELECTRIC REVENUE INCREASE; COST OF CAPITAL PROCEEDING

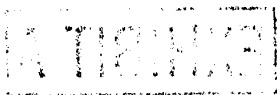
On November 1, 1999, Pacific Gas and Electric Company (PG&E) filed Application No. 99-11-003, with the California Public Utilities Commission (CPUC) asking for changes in PG&E's electric and gas distribution revenues. The application requests the CPUC to authorize revenue increases of \$127.8 million in electric revenues and \$36.6 million for gas rates effective January 1, 2000.

This filing is a yearly cost of capital proceeding in which the CPUC evaluates PG&E's cost of acquiring funds to finance the company's operations and capital investments. In this case, PG&E is presenting its proposal for the cost of capital for its utility distribution operations. PG&E's rates of return on its unbundled electric generation, electric transmission, and gas transmission, storage and gathering operations have been set in other proceedings. Therefore, PG&E has not included a requested 2000 cost of capital in this case for those parts of its utility operations.

PG&E is requesting an increase from its 1999 authorized rate of return on equity (ROE) of 10.6 percent to a 2000 ROE of 12.5 percent to compensate its shareholders fairly for the risks of investing in the utility's electric distribution and gas distribution operations.

The gas revenue increase asked for in the application will increase gas rates after approval by the CPUC. For gas rates, PG&E's proposal would lead to a gas revenue requirement increase over present gas revenues of \$36.6 million, or 1.7 percent. On a stand-alone basis, our proposal for utility operations in this application would allocate the proposed increase in gas rates as shown in this table:

<i>Gas Customer Class</i>	<i>Revenue Increase (thousands)</i>	<i>% Increase</i>
Residential	\$26,382	1.8%
Small Commercial	\$ 8,564	2.2%
Large Commercial	\$ 223	1.4%
Industrial Distribution	\$ 1,272	1.9%
Industrial Transmission	\$ 76	0.1%
Cogeneration	\$ 29	0.1%
Electric Generation	\$ 60	0.1%
Wholesale	\$ 0	0.0%
<b>Total Revenue Change</b>	<b>\$36,606</b>	<b>1.7%</b>



Although adoption of PG&E's proposal for electric distribution would otherwise result in an electric rate increase, PG&E's proposal is consistent with the current electric rate freeze. Specifically, PG&E's electric rates will not change due to this proceeding, until the rate freeze ends. If PG&E's request is approved before the end of the rate freeze, the increase could extend the freeze.

If an electric rate freeze were not in effect today, on a stand-alone basis, our proposal for utility operations in this application would allocate the proposed increase based on total bundled rates as shown in this table:

<i>Electric Customer Class</i>	<i>Distribution Increase (thousands)</i>	<i>% Increase</i>	<i>Off-Setting CTC Headroom Reduction (thousands)</i>	<i>% Decrease</i>	<i>Net Change in Electric Revenues (thousands)</i>
Residential	\$ 62,103	2.1%	(\$ 62,103)	(2.1%)	\$0
Small Light and Power	\$ 17,512	2.1%	(\$ 17,512)	(2.1%)	\$0
Medium Light and Power	\$ 18,000	1.5%	(\$ 18,000)	(1.5%)	\$0
E-19 Class	\$ 10,420	1.2%	(\$ 10,420)	(1.2%)	\$0
Large Light and Power	\$ 9,329	0.8%	(\$ 9,329)	(0.8%)	\$0
Agriculture	\$ 8,637	2.2%	(\$ 8,637)	(2.2%)	\$0
Standby	\$ 397	1.9%	(\$ 397)	(1.9%)	\$0
Streetlights	\$ 1,402	3.2%	(\$ 1,402)	(3.2%)	\$0
<b>Total Revenue Change</b>	<b>\$127,800</b>	<b>1.7%</b>	<b>(\$127,800)</b>	<b>(1.7%)</b>	<b>\$0</b>

If the CPUC approves PG&E's gas request, a residential gas customer using an average of 50 therms per month would see a monthly gas bill increase of \$0.61, from \$34.42 to \$35.03. Your individual bill may differ depending on your energy use.

If the CPUC approves PG&E's electric request, the average residential electric customer using 543 kwh per month would see a monthly electric bill increase of \$1.23, from \$58.49 to \$59.72, absent the freeze. During the rate freeze, residential electric customers will not see any change in their monthly electric bill due to this application.

#### EVIDENTIARY HEARINGS

Before acting on this application, the CPUC would hold separate evidentiary hearings, expected to begin within the next several months. At these hearings, which are open to the public, the CPUC will receive the testimony of PG&E, the CPUC's office of Ratepayer Advocates and other interested parties.

Participants at these hearings may offer proposals that differ from those of PG&E. After considering these proposals, the CPUC will issue its decision. The actual plan adopted by the CPUC may differ from what is requested by PG&E in its application and may result in an increase or decrease in your individual gas rates.

FOR FURTHER INFORMATION

If you need more information, or if you want to get copies of the Office of Ratepayer Advocates' rate proposals when they are available please write to:

The Office of Ratepayer Advocates  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Mention that you are writing about Application No. 99-11-003, and indicate if you would like a written response, otherwise no reply will be sent. Your letter will be sent to the Commission and will become part of the formal correspondence file for the application.

You can get more information from PG&E from Barrett W. Young, Legal Assistant, by calling him at 415-973-6699, or writing him at:

Barrett W. Young  
Pacific Gas And Electric Company  
P.O. Box 7442  
San Francisco, CA 94120-7442  
"Attention: Application No. 99-11-003"

You may review a copy of the application at our corporate headquarters (77 Beale Street, 23rd Floor, San Francisco, CA 94105), at any of our division offices, or at the San Francisco office of the CPUC. Ask for Application No. 99-11-003.

This notice is given in accordance with the requirements of Rule 24 of the CPUC's Rules of Practice and Procedure.

**PACIFIC GAS AND ELECTRIC COMPANY**

By: Shirley A. Woo  
SHIRLEY A. WOO  
Attorney